Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

Auditi					s Rep	ort						
Local Governr	ment Type	ship	□v	'illage	✓Other	Local Governme	ent Name od Cemetery				ounty mmet	
Audit Date 12/31/05				Opinion (1/26/0			Date Accountant 3/21/06	Report Submit	ted to State:			
accordance	with th	e St	atemer	nts of	the Govern	mental Accou	government an unting Standare ant in Michigan	ds Board (GASB) and 1	the <i>Unifol</i>	m Repo	
We affirm t	hat:											
1. We hav	/e compl	ied w	vith the	Bulleti	in for the Au	idits of Local U	Inits of Govern	ment in Mic	<i>higan</i> as revis	sed.		
2. We are	certified	pub	lic acc	ountani	ts registered	d to practice in	Michigan.					
We further a					responses h	ave been disc	closed in the fin	ancial state	ments, includ	ing the no	otes, or in	the report of
ou must ch	eck the	appli	cable l	oox for	each item b	pelow.						
Yes [√ No	1.	Certair	n comp	onent units	/funds/agencie	es of the local u	nit are exclu	uded from the	financial	stateme	nts.
Yes [√ No			are ac 1980).		deficits in one	or more of th	s unit's unr	eserved fund	balances	s/retained	d earnings (P.A
Yes [✓ No		There amend		stances of	non-compliand	ce with the Un	iform Acco	unting and B	udgeting	Act (P.A	. 2 of 1968, a
Yes [√ No						tions of either the Emergenc			the Muni	icipal Fir	nance Act or i
Yes	√ No		The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).									
Yes	√ No	6.	The lo	cal unit	has been o	delinquent in di	istributing tax r	evenues tha	at were collec	ted for an	other tax	king unit.
Yes [√ No	7.	The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).									
Yes [√ No			ical uni 129.24		dit cards and	has not adopt	ed an appli	cable policy	as requir	ed by P.	A. 266 of 199
Yes [√ No	9.	The lo	cal unit	t has not ad	opted an inves	stment policy as	s required b	y P.A. 196 of	1997 (MC	CL 129.95	5).
We have e	nclosed	the	follow	ing:					Enclosed		To Be Forwarded F	
The letter of	of commo	ents	and re	comme	endations.				\checkmark			
Reports on	individu	al fe	deral fi	nancial	l assistance	programs (pro	ogram audits).					√
Single Audit Reports (ASLGU).						✓						
Certified Publ		,		,						·		
Street Address	is		JU., L	. 			City Pe	toskey		State MI		
Accountant S		St	باستعب	~~	CPA					Date O.3,	121/2	COG

FINANCIAL REPORT GREENWOOD CEMETERY December 31, 2005

GREENWOOD CEMETERY FINANCIAL REPORT December 31, 2005

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January 26, 2006

Independent Auditors' Report

Cemetery Board and Superintendent Greenwood Cemetery Petoskey, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Greenwood Cemetery (the Cemetery), Petoskey, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Cemetery's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cemetery's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Greenwood Cemetery, as of December 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the management's discussion and analysis. However, we did not audit this information and express no opinion on it. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CERTIFIED PUBLIC ACCOUNTANTS

Hill Schroberus & Co.

Petoskey, Michigan

GREENWOOD CEMETERY

PO Box 586 111 Greenwood Street Petoskey, MI 49770 Phone: 231-347-6531 Fax: 231-347-6597

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2005

BASIC FINANCIAL STATEMENTS - OVERVIEW

Greenwood Cemetery's (the Cemetery) basic financial statements include both government-wide (reporting the Cemetery as a whole) and fund financial statements (reporting the Cemetery's major funds). The government-wide statements include the Statement of Net Assets and the Statement of Activities. The fund financial statements include the Governmental Fund Balance Sheet and the Statement of Governmental Funds Revenues, Expenditures, and Changes in Fund Balances.

BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the Cemetery. As a general rule the effect of interfund activity, such as interfund loans, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Cemetery as an entity and the change in the Cemetery's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Cemetery's net assets are reported in three parts – invested in capital assets; restricted net assets; and unrestricted net assets.

Below is the government-wide Statement of Net Assets for Greenwood Cemetery as of December 31, 2005 and 2004:

Greenwood Cemetery Statement of Net Assets For Years Ended December 31, 2005 and 2004

<u>Assets</u>	2005	2004		
Cash Investments Accounts receivable Taxes receivable Capital assets, net	\$ 155,597 476,754 100 421,205 1,763,088	\$ 113,475 428,066 1,600 420,515 1,744,470		
Total assets	2,816,744	2,708,126		
<u>Liabilities</u>				
Deferred property taxes Deferred charges	485,685 37,136	464,327 37,355		
Total liabilities	522,821	501,682		
<u>Net Assets</u>				
Invested in capital assets Restricted for perpetual care Unrestricted	1,763,088 455,210 75,625	1,744,470 389,430 72,544		
Total net assets	\$ 2,293,923	\$ 2,206,444		

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the Cemetery are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with providing cemetery-type services. Program revenues include: (1) charges to customers who purchase, use, or directly benefit from goods or services provided by the Cemetery and (2) grants and contributions that are restricted to meeting the operational or capital requirements of the Cemetery. Taxes and other items not properly included among program revenues are reported as general revenue.

As indicated above, the majority of the Cemetery's balances remained consistent from 2004 to 2005. The increase in the perpetual care net assets resulted primarily from investment earnings, lot sales, as well as receipts from the General Fund related to the pay-off of the 2004 loan to the General Fund.

Below is the Statement of Activities for Greenwood Cemetery for the years ended December 31, 2005 and 2004:

Greenwood Cemetery Statement of Activities For the Years Ended December 31, 2005 and 2004

	2005	2004
Revenues: Program revenues Property taxes Interest and investments Other	\$ 103,318 457,489 22,543 5,683	\$ 75,993 416,962 33,469 20,523
Total revenues	589,033	546,947
Expenses: Operating Non-operating	402,645 98,909	355,782 97,305
Total expenses	501,554	453,087
Change in net assets	87,479	93,860
Net assets - beginning	2,206,444	2,112,584
Net assets - ending	\$ 2,293,923	\$ 2,206,444

Net assets increased in the current year by \$87,479 or 4%. Approximately 22% of the operating expenses for the General Fund were capitalized. For the depreciable assets, these expenses will be spread out over their useful lives and will be depreciated on the Statement of Activities. The non-depreciable assets, such as land, will remain on the Statement of Net Assets at full cost.

As a consequence of additional lot sales and interments, program revenues increased. Property tax revenues were up because of an increase in the millage rate from 0.45 to 0.47. The decrease in interest and investments occurred due to lower interest earnings in the Perpetual Care Fund. Interest was down because of lower cash balances; the cash balance decrease was a product of the prior year land purchase.

Operating expenses increased over the prior year due to approximately \$17,000 in non-capitalized equipment and land improvement costs. The Cemetery only capitalizes items that individually exceed \$3,000 in cost. In addition, maintenance expenses increased approximately \$10,000 over the prior year. Finally, utility costs were up about \$6,000 over 2004, which was partially due to increased fuel costs.

Below is the capital asset activity for Greenwood Cemetery for 2005:

Greenwood Cemetery Capital Asset Activity For the Year Ended December 31, 2005

	Balance January 1, 2005		A	Additions	De	eletions	Balance December 31, 2005		
Governmental Activities									
Capital assets not being depreciated: Land	\$	578,231	\$	<u> </u>	\$		\$	578,231	
Capital assets being depreciated:									
Buildings		206,564		-		-		206,564	
Site improvements		1,140,229		60,277		-		1,200,506	
Equipment		397,707		51,382		(23,885)		425,204	
Office equipment		27,810		6,270				34,080	
Subtotal		1,772,310		117,929		(23,885)		1,866,354	
Less accumulated deprecia	ation:								
Buildings		71,043		4,015		-		75,058	
Site improvements		384,894		55,320		-		440,214	
Equipment		137,586		26,162		(15,114)		148,634	
Office equipment		12,548		5,043		-		17,591	
Subtotal		606,071		90,540		(15,114)		681,497	
Net capital assets									
being depreciated		1,166,239		27,389		(8,771)		1,184,857	
Governmental activities net									
Capital assets	\$	1,744,470	\$	27,389	\$	(8,771)	\$	1,763,088	

The current year capitalized expenditures included land improvement projects (mainly irrigation work) for \$60,277 and equipment purchases totaling \$51,382. The new equipment included a 2005 Chevrolet Trail Blazer.

BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The financial transactions of the Cemetery are reported in individual funds in the fund financial statements. The fund financial statements include the Governmental Fund Balance Sheet and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds.

Governmental Funds

The following is a description of the major governmental funds of the Cemetery:

General Fund - The General Fund is the general operating fund of the Cemetery. It is used to account for all financial resources except those required to be accounted for in another fund.

Perpetual Care Fund - The Perpetual Care Fund is used to account for fees and one-time payments received for perpetual care. The interest earned is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions.

Analysis of Budgeted and Actual Amounts

Final budgeted revenues were modified due to the additional lot sales and interments discussed above. The equipment purchases expense budget increased significantly due to the purchase of a new Chevrolet Trailblazer. This purchase was paid for from the fund balance. Changes were also made to the wages and contracted services budgeted amounts. These were due to the hiring of an employee to fulfill services partially covered in the prior year via an independent contractor.

Variances between final budgeted amounts and actual amounts included lower-thananticipated expenditures for land improvements (e.g., irrigation work) and equipment.

Analysis of the Revenues, Expenditures, and Changes in Fund Balances

The General Fund expenditures decreased by approximately 41% from the prior year expenditures. The key reason for this decrease was the lack of a land purchase in 2005.

The General Fund ending fund balance decreased by 4%, while the Perpetual Care Fund ending fund balance increased by 17%. Currently a majority of the General Fund ending fund balance is designated by the Cemetery Board for land acquisitions. The Chevy Trailblazer purchase was funded via the land acquisition designated fund balance based upon board approval. All of the Perpetual Care Fund ending fund balance is reserved for the trust corpus.

Financial Contact

This financial report is designed to provide readers with a general overview of the Cemetery's finances. Please contact the Greenwood Cemetery Superintendent if there are additional questions or information needed.

GREENWOOD CEMETERY Governmental Fund Balance Sheet/Statement of Net Assets December 31, 2005

<u>Assets</u>		Modified A General		Accrual Basis Perpetual Care		Adjustments		Statement of Net Assets	
Cash Investments Accounts receivable Taxes receivable Due from other funds Capital assets,	\$	101,545 48,524 100 421,205 27,072	\$	54,052 428,230 - - -	\$	- - - - (27,072)	\$	155,597 476,754 100 421,205	
net of accumulated depreciation		-				1,763,088		1,763,088	
Total assets <u>Liabilities</u>		598,446		482,282		1,736,016		2,816,744	
Due to other funds Deferred property taxes Deferred charges		- 485,685 37,136		27,072 - -		(27,072)		- 485,685 37,136	
Total liabilities Fund Balance/Net Assets		522,821		27,072		(27,072)		522,821	
Fund balances:									
Reserved for trust corpus Unreserved: Designated for land acquisitions Undesignated		57,548 18,077		455,210 - -		(455,210) (57,548) (18,077)		-	
Total fund balances	\$	75,625	\$	455,210					
Net assets: Invested in capital assets Restricted for perpetual care Unrestricted						1,763,088 455,210 75,625		1,763,088 455,210 75,625	
Total net assets					\$	1,763,088	\$	2,293,923	

GREENWOOD CEMETERY Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities For the Year Ended December 31, 2005

	Modified /	Statement of			
	General	Perpetual Care	Adjustments	Activities	
Expenditures/expenses:	 				
Operating:					
Wages	\$ 184,709	\$ -	\$ -	\$ 184,709	
Payroll taxes	16,048	-	-	16,048	
Employee benefits	43,651	-	-	43,651	
Operating supplies	39,189	-	-	39,189	
Contracted services	12,494	-	-	12,494	
Utilities	18,087	-	-	18,087	
Maintenance and repairs	33,729	-	-	33,729	
Vehicle expense	7,033	-	-	7,033	
Equipment rental	2,754	-	-	2,754	
Insurance	20,626	-	-	20,626	
Land improvement projects	64,887	-	(60,277)	4,610	
Equipment purchases	67,667	-	(55,052)	12,615	
Miscellaneous	7,100			7,100	
Total operating expenditures/					
expenses	517,974	-	(115,329)	402,645	
			12.00		
Non-operating:					
Investment expense	-	2,156	-	2,156	
Loss on investments	-	3,542	-	3,542	
Depreciation expense	-	-	90,540	90,540	
Loss on disposal of long-lived assets	-	-	2,671	2,671	
Interest expense	18,228		(18,228)		
Total non-operating expenditures/					
expenses	18,228	5,698	74,983	98,909	
Total expenditures/expenses	536,202	5,698	(40,346)	501,554	
Program revenues:					
Charges for services	87,310	16,008		103,318	
Net (expense) revenue				(398,236)	
General revenues:					
Property taxes	457,489	-	_	457,489	
Sale of equipment	3,500	_	(3,500)	-	
Interest and investment earnings	8,001	32,770	(18,228)	22,543	
Miscellaneous	5,683	-	-	5,683	
Total general revenues	474,673	32,770	(21,728)	485,715	
Other financing sources (uses)					
Other financing sources (uses): Operating transfers in	07.070	10 770	177.044		
, ,	27,072	49,772	(76,844)	-	
Operating transfers out	(49,772)	(27,072)	76,844		
Total other financing					
sources (uses)	(22,700)	22,700			
Excess (deficiency) of revenues over					
expenditures/change in net assets	3,081	65,780	18,618	87,479	
Fund balances/net assets - beginning of year	72,544	389,430	1,744,470	2,206,444	
Fund balances/net assets - end of year	\$ 75,625	\$ 455,210	\$ 1,763,088	\$ 2,293,923	

GREENWOOD CEMETERY NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Greenwood Cemetery (the Cemetery) was incorporated February 17, 1897, under the provisions of Act 306 of the Local Acts of Michigan. The Cemetery operates under a board-superintendent form of government and provides for a joint board from the townships of Resort, Bear Creek and the City of Petoskey in Emmet County.

The Cemetery's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Cemetery's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following is a summary of the significant policies used by Greenwood Cemetery:

REPORTING ENTITY

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 and amended by GASBS No. 39. As defined by GASBS No. 14, the Cemetery is required to consider other organizations (component units) for which the nature and significance of their relationship with the Cemetery is such that exclusion would cause the Cemetery's financial statements to be misleading or incomplete. Component units are legally separate entities that are included in the Cemetery's financial statements because of the significance of their operating or financial relationships with the Cemetery.

GASBS No. 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the Cemetery and included in the Cemetery's financial statements is financial accountability. Financial accountability is defined as follows: A primary government (the Cemetery) has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The Cemetery has no component units.

BASIC FINANCIAL STATEMENTS - OVERVIEW

Greenwood Cemetery's basic financial statements include both government-wide (reporting the Cemetery as a whole) and fund financial statements (reporting the Cemetery's major funds). Both the government-wide and the fund financial statements categorize government activities as governmental. Governmental activities are normally supported by taxes and intergovernmental revenues.

BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of the Cemetery. As a general rule the effect of interfund activity, such as interfund loans, has been eliminated from these statements. The government-wide focus is more on operational efficiency, the sustainability of the Cemetery as an entity, and the change in the Cemetery's net assets resulting from the current year's activities.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIC FINANCIAL STATEMENTS - GOVERNMENT-WIDE STATEMENTS - CONTINUED

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The Cemetery's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Cemetery first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the Cemetery are offset by program revenues. This statement reduces gross expenses (including depreciation) by related program revenues, which include charges for services, operating grants and capital grants.

The program revenues must be directly associated with providing cemetery type services. Program revenues include:

- (1) Charges to customers who purchase, use, or directly benefit from goods or services provided by the Cemetery; and
- (2) Grants and contributions that are restricted to meeting the operational or capital requirements of the Cemetery. Taxes and other items not properly included among program revenues are reported as general revenue.

BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The financial transactions of the Cemetery are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The emphasis in the fund financial statements is on the major funds. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds.

Governmental Funds

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Perpetual Care Fund – The Perpetual Care Fund is used to account for fees and one-time payments received for perpetual care. The interest earned is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

BASIS OF ACCOUNTING - CONTINUED

The government-wide statements are reported using the economic resources measurement focus and the full accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they are earned, as long as they are both available and measurable. Revenues are available when received within the current period or within 60 days after year-end. Expenditures are recorded in the accounting period in which the liability is incurred, as under full accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand and demand deposits.

Interfund Receivables/Payables

Outstanding balances between funds are reported as "due to/from" other funds on the balance sheet of the fund financial statements.

Capital Assets

Capital assets, which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are recorded by the Cemetery when the initial individual costs are equal to or greater than \$3,000 and have useful lives greater than a year. Any addition or improvement that either enhances a capital asset's efficiency or extends its expected useful life is also capitalized.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, site improvements and equipment are depreciated using the straight-line method over the following useful lives:

Buildings/Improvements	50 years
Site Improvements	20 years
Equipment	15 years
Office Equipment	5 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY - CONTINUED

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Currently the Cemetery has no long-term obligations.

Compensated Absences (Vacation and Sick Time)

Vacation days not used during the year may be accumulated. Each employee may carry over up to 40 hours to the next year. Sick time not used during the year may not be accumulated.

All vacation and sick pay accrue when earned in the government-wide financial statements. Sick and vacation pay are recognized in the governmental financial statements when the time is used.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

COMPARATIVE DATA

Comparative data for the prior year is not included in the Cemetery's financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all operating funds of the Cemetery. Budgetary control is legally maintained at the fund level.

The Cemetery follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. Prior to the first board meeting in November, the superintendent submits to the board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2. A public hearing is conducted at the Cemetery to obtain taxpayer comments.
- 3. Prior to January 1, the fund budgets are legally enacted through passage of resolutions.
- 4. The superintendent is authorized to transfer budgeted amounts between expenditures within any fund, however, any revisions that alter the total expenditures of any fund must be approved by the board.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

- 5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- 6. Budgeted amounts are as originally adopted, or as amended by the board.
- 7. Encumbrances, which are commitments related to unperformed contracts for goods or services, lapse at year-end and are re-appropriated as part of the subsequent year's budget.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Cemetery is required under Public Act 621 to adopt a budget for the General Fund. The Cemetery did not have an excess of expenditures over appropriations for the General Fund.

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Cemetery to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Cemetery is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Cemetery's deposits and investment policy are in accordance with statutory authority.

Cash Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the cemetery's deposits may not be returned to it. At year-end, the carrying amount of the Cemetery's deposits for governmental activities was \$204,121 and the bank balance was \$210,569. Of the bank balance, \$100,000 was covered by Federal depository insurance. The remaining \$110,569 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

<u>Investments</u>

The cemetery is authorized to make direct investments in U.S. government obligations, certificates of deposits, investment pools (as allowed by the Michigan Public Act 121 of 1985), and mutual funds.

NOTE 3: CASH AND INVESTMENTS - CONTINUED

Investments - CONTINUED

Investments are stated at fair value and are summarized as follows as of December 31, 2005:

		Cost	 Fair Value	App	Unrealized Appreciation (Depreciation)	
U.S. governmental and agency securities	\$	433,804	\$ 428,230	\$	(5,574)	

NOTE 4: PROPERTY TAXES

Current Revenue

Property taxes attach as an enforceable lien on property as of December 1, and are collected principally in January through March of the following year. The Cemetery receives its property taxes through Resort Township, Bear Creek Township and the City of Petoskey. The Cemetery is permitted to levy taxes as deemed necessary for general governmental services.

The 2004 State taxable valuation as of April 10, 2004 was \$987,926,950, on which taxes levied consisted of .47 mills for general governmental services.

Deferred Revenue and Taxes Receivable

Property taxes attaching as an enforceable lien on property as of December 1, 2005, and collected principally in December 2005 through March 2005 have been recorded as deferred revenue since they are not budgeted to fund expenditures until 2005. A receivable has been recorded for the portion of these taxes uncollected at December 31, 2005. The 2005 State taxable valuation was \$1,033,372,369, on which taxes levied consisted of .47 mills for general governmental services.

NOTE 5: DEFERRED REVENUE

Deferred revenue in the government-wide and the fund financial statements consists of \$37,136 and \$485,685 relating to charges for services and property taxes, respectively, received by year end but not yet earned. The majority of the charges for services pertain to prepaid interments.

NOTE 6: INTERFUND RECEIVABLES AND PAYABLES

The interfund balances within the Cemetery are as follows:

	In Red	Interfund Payable		
General Fund Perpetual Care Fund	\$	27,072	;	\$ - 27,072
	\$	27,072		\$ 27,072

The interfund balance is interest earned in the Perpetual Care Fund that is transferred to the General Fund for maintenance of the Cemetery and for land acquisitions.

NOTE 7: INTERFUND TRANSFERS

Operating transfers within the Cemetery are as follows:

	Tro	ansfer In	Transfe		
General Fund Perpetual Care Fund	\$	27,072 49,772	\$	49,772 27,072	
	\$	76,844	\$	76,844	

In September 2004, the Perpetual Care Fund transferred \$350,000 to the General Fund for the purchase of a parcel of land. These funds originated from the Perpetual Care Fund corpus. The General Fund will repay the \$350,000 back to the Perpetual Care Fund over a 6-year period. In addition, the General Fund will pay the Perpetual Care Fund interest at an annual rate based on the Federal Reserve interest rate, adjusted quarterly. In 2005, this rate averaged 5.75%. The outstanding balance on this loan was \$287,538 as of December 31, 2005. Current year principal payments related to this loan totaled \$49,772.

The remaining operating transfer between the two funds, \$27,072, is the result of a yearly transfer of earnings from the Perpetual Care Fund to the General Fund.

NOTE 8: CAPITAL ASSETS

Capital asset activity for the Cemetery during the current year was as follows:

	Balance January 1, 2005		Additions		Deletions		Balance December 31, 2005	
Governmental Activities								
Capital assets not								
being depreciated:								
Land	\$	578,231	\$		\$	-	\$	578,231
Capital assets								
Being depreciated:								
Buildings		206,564		-		-		206,564
Site improvements		1,140,229		60,277		-		1,200,506
Equipment		397,707		51,382		(23,885)		425,204
Office equipment		27,810	_	6,270		-		34,080
Subtotal		1,772,310		117,929		(23,885)		1,866,354
Less accumulated depreciation:								
Buildings		71,043		4,015		-		75,058
Site improvements		384,894		55,320		-		440,214
Equipment		137,586		26,162		(15,114)		148,634
Office equipment		12,548		5,043		-		17,591
Subtotal		606,071		90,540		(15,114)		681,497
Net capital assets								
being depreciated	_	1,166,239		27,389		(8,771)		1,184,857
Governmental activities net								
capital assets	\$	1,744,470	\$	27,389	\$	(8,771)	\$	1,763,088

NOTE 9: DEFERRED COMPENSATION PLAN

The Cemetery offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all full-time Cemetery employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 9: DEFERRED COMPENSATION PLAN - CONTINUED

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the Cemetery (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Cemetery's general creditors. Participants' rights under the plan were equal to those of general creditors of the Cemetery in an amount equal to the fair market value of the deferred account for each participant.

In complying with the amended Section 457 requirements, these assets are now for the exclusive benefit of participants and not subject to the claims of the Cemetery's general creditors. As such, they are no longer included in an agency fund of the Cemetery.

The Cemetery makes contributions to this deferred compensation plan based on 5% of gross salary for the year. The total deferred compensation plan contribution for 2005 was \$6,498.

NOTE 10: RESERVED/DESIGNATED FUND BALANCES/RESTRICTED NET ASSETS

Major Governmental Funds

The General Fund has \$57,548 designated for land acquisitions.

The Perpetual Care Fund has a corpus of \$455,210 reserved/restricted. Income from the corpus is to be used for the care and maintenance of lots sold and the acquisition of available land. All income was distributed for that purpose at December 31, 2005.

NOTE 11: RISK MANAGEMENT

The Cemetery is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Cemetery belongs to the Michigan Municipal League Liability and Property Pool, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the state. The Cemetery pays an annual premium for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

The Cemetery also belongs to the Michigan Municipal Worker's Compensation and Liabilities Fund, a public entity risk pool currently operating as a common risk management and worker's compensation insurance program for various municipalities throughout the state. The Cemetery pays an annual premium for its worker's compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event.

Settled claims from these risks have not exceeded insurance coverage in any of the past three fiscal years.



GREENWOOD CEMETERY Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund

For the Year Ended December 31, 2005

Interments	P		Original Budget		Final Budget		Actual		Variance with Final Budget Over/(Under)	
Poundations		ф	00.000	ıπ	22.000	ф	24.504	ď	70.4	
Lot sales		Þ	-	Þ		Þ		Ф		
Property taxes										
Initirest 5,000 7,200 8,001 801 Miscellaneous 11,350 30,300 5,683 (24,617) Total revenues 527,550 578,200 558,483 (19,717)										
Miscellaneous 11,350 30,300 5,683 (24,617) Total revenues 527,550 578,200 558,483 (19,717) Expenditures: Wages 170,000 185,000 184,709 (291) Payroll taxes 30,000 16,100 16,048 (52) Employee benefits 50,000 44,000 43,651 (349) Operating supplies 36,000 39,500 39,189 (311) Contracted services 24,000 12,500 12,494 (6) Utilities 14,800 18,100 18,087 (13) Maintenance and repairs 23,350 33,900 33,729 (171) Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 2,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 18,228 18,228	, ,									
Total revenues 527.550 578.200 558.483 (19,717) Expenditures: Wages 170,000 185,000 184,709 (291) Payroll taxes 30,000 16,100 16,048 (52) Employee benefits 50,000 44,000 43,651 (349) Operating supplies 36,000 39,500 39,189 (311) Contracted services 24,000 12,500 12,494 (6) Utilities 14,800 18,100 18,087 (13) Maintenance and repairs 23,350 33,900 33,729 (171) Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228										
Expenditures: Wages 170,000 185,000 184,709 (291) Payroll taxes 30,000 16,100 16,048 (52) Employee benefits 50,000 44,000 43,651 (349) Operating supplies 36,000 39,500 39,189 (311) Contracted services 24,000 12,500 12,494 (6) Utilities 14,800 18,100 18,087 (13) Maintenance and repairs 23,350 33,900 33,729 (171) Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 - Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): Operating transfers in 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) - Sale of equipment — 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance — 3,081 3,081	Miscellaneous		11,350		30,300		5,683		(24,617)	
Wages 170,000 185,000 184,709 (291) Payroll taxes 30,000 16,100 16,048 (52) Employee benefits 50,000 44,000 43,651 (349) Operating supplies 36,000 39,500 39,189 (311) Contracted services 24,000 12,500 12,494 (6) Utilities 14,800 18,100 18,087 (13) Maintenance and repairs 23,350 33,799 (371) Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 18,228 Miscellaneous 6,000 7,350 7,100 (250)	Total revenues		527,550		578,200		558,483		(19,717)	
Payroll taxes 30,000 16,100 16,048 (52) Employee benefits 50,000 44,000 43,651 (349) Operating supplies 36,000 39,500 39,189 (311) Contracted services 24,000 12,500 12,494 (6) Utilities 14,800 18,100 18,087 (13) Maintenance and repairs 23,350 33,900 33,729 (171) Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 18,228 Miscellaneous 6,000 7,350 7,100 (250) Excess (deficiency) of revenues over expenditures 29,772 27,672	Expenditures:									
Employee benefits 50,000 44,000 43,651 (349)	Wages		170,000		185,000		184,709		(291)	
Operating supplies 36,000 39,500 39,189 (311) Contracted services 24,000 12,500 12,494 (6) Utilities 14,800 18,100 18,087 (13) Maintenance and repairs 23,350 33,900 33,729 (171) Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 - Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Operating transfers in 20,000 1	Payroll taxes		30,000		16,100		16,048		(52)	
Contracted services 24,000 12,500 12,494 (6) Utilities 14,800 18,100 18,087 (13) Maintenance and repairs 23,350 33,900 33,729 (171) Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 18,228 Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Oberating transfers in 20,000 16,000 27,072 11,072 Operating transfers out (49,772)	Employee benefits		50,000		44,000		43,651		, ,	
Utilities 14,800 18,100 18,087 (13) Maintenance and repairs 23,350 33,900 33,729 (171) Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 [9,363] Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 - Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment -	Operating supplies		36,000		39,500		39,189		(311)	
Maintenance and repairs 23,350 33,900 33,729 (171) Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 - Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 20,000 16,000 27,072 11,072 Operating transfers in 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment	Contracted services		24,000		12,500		12,494		(6)	
Vehicle expense 5,560 7,100 7,033 (67) Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 0perating transfers in 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) (49,772) (49,772) (49,772) (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance -	Utilities		14,800		18,100		18,087		(13)	
Equipment rental 5,000 2,800 2,754 (46) Insurance 20,000 20,700 20,626 (74) Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Maintenance and repairs		23,350		33,900		33,729		(171)	
Insurance	Vehicle expense		5,560		7,100		7,033		(67)	
Land improvement projects 56,840 74,250 64,887 (9,363) Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 - Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 20,000 16,000 27,072 11,072 Operating transfers in Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Equipment rental		5,000		2,800		2,754		(46)	
Equipment purchases 38,000 71,000 67,667 (3,333) Interest expense 18,228 18,228 18,228 - Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Insurance		20,000		20,700		20,626		(74)	
Interest expense 18,228 18,228 18,228 18,228 6,000 7,350 7,100 (250) (250)	Land improvement projects		56,840		74,250		64,887		(9,363)	
Miscellaneous 6,000 7,350 7,100 (250) Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 20,000 16,000 27,072 11,072 Operating transfers in Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Equipment purchases		38,000		71,000		67,667		(3,333)	
Total expenditures 497,778 550,528 536,202 (14,326) Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Interest expense		18,228		18,228		18,228		-	
Excess (deficiency) of revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): Operating transfers in 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 -	•		6,000		7,350		7,100		(250)	
revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 0perating transfers in 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Total expenditures		497,778		550,528		536,202		(14,326)	
revenues over expenditures 29,772 27,672 22,281 (5,391) Other financing sources (uses): 0perating transfers in 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Excess (deficiency) of									
Operating transfers in 20,000 16,000 27,072 11,072 Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -			29,772		27,672		22,281		(5,391)	
Operating transfers out (49,772) (49,772) (49,772) - Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Other financing sources (uses):									
Sale of equipment - 6,100 3,500 (2,600) Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Operating transfers in		20,000		16,000		27,072		11,072	
Total other financing sources (uses) (29,772) (27,672) (19,200) 8,472 Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Operating transfers out		(49,772)		(49,772)		(49,772)		-	
Net change in fund balance - - 3,081 3,081 Fund balance - beginning of year 72,544 72,544 72,544 -	Sale of equipment		-		6,100		3,500		(2,600)	
Fund balance - beginning of year 72,544 72,544 -	Total other financing sources (uses)		(29,772)		(27,672)		(19,200)		8,472	
	Net change in fund balance		-		-		3,081		3,081	
Fund balance - end of year \$ 72,544 \$ 72,544 \$ 75,625 \$ 3,081	Fund balance - beginning of year		72,544		72,544		72,544			
	Fund balance - end of year	\$	72,544	\$	72,544	\$	75,625	\$	3,081	

February 21, 2006

Cemetery Board and Superintendent Greenwood Cemetery Petoskey, Michigan 49770

In planning and performing our audit of the financial statements of Greenwood Cemetery for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgement, could adversely affect Greenwood Cemetery's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Segregation of Duties - The Cemetery, as does other small governmental units, has various duties performed by the same individuals that may be performed by various individuals in a larger unit. This apparent lack of separation of duties is partially mitigated by dual signed checks.

This report is intended solely for the information and use of the Greenwood Cemetery Board and superintendent and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation for the excellent cooperation we received while performing the audit. If we may be of further assistance, please do not hesitate to contact us.

Sincerely,

CERTIFIED PUBLIC ACCOUNTANTS

Hill , Soluderns & Co.

Petoskey, Michigan

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